

# **CITY OF uMHLATHUZE**



## **FINANCIAL STATEMENTS for the year ended 30 JUNE 2007**



**City of uMhlathuze**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2007**

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 52, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and The Minister of Provincial and Local Government's determination in accordance with this Act.

  
DR A. W. HEYNEKE  
Municipal Manager

29/08/2007  
DATE

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# CITY OF uMHLATHUZE

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Notes	2007 R	2006 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>721,790,417</b>	<b>562,399,702</b>
Housing Development Fund	1	14,149,239	4,391,375
Capitalisation reserve		229,319,810	272,706,058
Government grant reserve		227,654,935	103,655,222
Donations and public contribution reserves		180,745,002	128,677,452
Self-insurance reserve		1,175,063	696,185
Accumulated surplus		68,746,368	52,273,410
<b>Non-current liabilities</b>		<b>425,395,698</b>	<b>133,368,662</b>
Long-term liabilities	2	425,395,698	133,368,662
<b>Current liabilities</b>		<b>223,615,712</b>	<b>187,901,146</b>
Consumer deposits	4	27,417,784	27,666,829
Creditors	5	141,478,051	115,086,204
Unspent conditional grants and receipts	6	35,044,180	33,176,369
Current portion of long-term liabilities	2	19,675,697	11,971,744
<b>Total Net Assets and Liabilities</b>		<b>1,370,801,826</b>	<b>883,669,510</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>1,025,209,709</b>	<b>748,646,639</b>
Property, plant and equipment	9	1,016,630,425	739,706,782
Investment property	11	1,304,802	1,555,351
Intangible assets	10	3,275,671	837,733
Long-term receivables	13	3,998,811	6,546,773
<b>Current assets</b>		<b>345,592,117</b>	<b>135,022,871</b>
Inventory	8	9,048,272	8,172,636
Consumer debtors	12	66,326,989	62,379,319
Other debtors	14	21,869,415	19,307,023
VAT	7	11,498,702	1,683,616
Current portion of long-term receivables	13	944,173	1,120,003
Call investment deposits	15	150,000,000	-
Bank balances and cash	27	85,904,566	42,360,274
<b>Total Assets</b>		<b>1,370,801,826</b>	<b>883,669,510</b>

# CITY OF uMHLATHUZE

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 R	2006 R
<b>REVENUE</b>			
Property rates	17	98,103,060	90,061,314
Property rates - penalties imposed and collection charges		1,833,983	2,209,132
Service charges	18	443,962,523	422,571,598
Rental of facilities and equipment		9,695,416	10,242,618
Interest earned - external investments		11,668,451	7,754,253
Interest earned - outstanding debtors		397,899	501,775
Fines		7,693,948	3,912,992
Licences and permits		1,652,680	630,630
Income for agency services		2,530,988	2,529,087
Government grants and subsidies	19	195,634,002	90,339,930
Public contributions		23,649,299	912,074
Other income	20	28,677,190	20,506,780
Sale of Land		36,289,666	22,881,210
Gains on disposal of property, plant and equipment		9,412,549	5,973,346
<b>Total Revenue</b>		<u>871,201,654</u>	<u>681,026,739</u>
<b>EXPENDITURE</b>			
Employee related costs	21	223,876,167	215,889,453
Remuneration of Councillors	22	11,343,826	9,642,151
Bad debts		(7,251,567)	8,412,494
Collection costs		89,560	22,635
Depreciation		65,889,103	59,103,475
Amortisation		522,037	287,970
Conditional grant expenditure		2,292,122	5,985,499
Repairs and maintenance		30,204,461	25,155,750
Interest paid	23	42,728,134	14,966,965
Bulk purchases	24	220,726,471	216,431,269
Contracted services		44,392,833	43,585,949
Grants and subsidies paid	25	932,893	1,200,315
General expenses		76,064,897	62,206,678
<b>Total Expenditure</b>		<u>711,810,937</u>	<u>662,890,603</u>
<b>SURPLUS FOR THE YEAR</b>		<u>159,390,717</u>	<u>18,136,136</u>

Refer to Appendix E(1) for the comparison with the approved budget

# CITY OF UMHILATHUZE

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Housing Development Fund	Capitalisation Reserve	Government Grant Reserve	Public Contribution Reserve	Self- Insurance Reserve	Accumulated Surplus	Total
<b>2006</b>							
Balance at 30 June 2005	2,981,264	298,432,338	84,926,756	116,269,360	697,337	25,887,208	529,194,263
Surplus for the year						18,136,136	18,136,136
Capital grants used to purchase PPE			25,548,992			(25,548,992)	-
Donated/contributed PPE				21,640,235	361,037	(21,640,235)	-
Contribution to Insurance Reserve					(362,189)	362,189	-
Insurance claims processed	1,410,111	(25,726,280)	(6,820,526)	(9,232,143)		(1,410,111)	-
Transfer to Housing Development Fu						41,778,949	-
Offsetting of depreciation							-
<b>Balance at 30 June 2006</b>	<b>4,391,375</b>	<b>272,706,058</b>	<b>103,655,222</b>	<b>128,677,452</b>	<b>696,185</b>	<b>37,204,107</b>	<b>547,330,399</b>
<b>2007</b>							
Change in accounting policy (note 3)						15,069,303	15,069,303
<b>Restated balance</b>	<b>4,391,375</b>	<b>272,706,058</b>	<b>103,655,222</b>	<b>128,677,452</b>	<b>696,185</b>	<b>52,273,410</b>	<b>562,399,702</b>
Surplus for the year						159,390,715	159,390,715
Capital grants used to purchase PPE			124,789,145	59,964,573		(184,753,718)	-
Donated/contributed PPE							-
Contribution to Insurance Reserve					2,479,917	(2,479,917)	-
Insurance claims processed					(2,001,039)	2,001,039	-
Transfer to Housing Development Fu	9,757,864	(43,386,248)	(789,432)	(7,897,023)		(9,757,864)	-
Offsetting of depreciation						52,072,703	-
<b>Balance at 30 June 2007</b>	<b>14,149,239</b>	<b>229,319,810</b>	<b>227,654,935</b>	<b>180,745,002</b>	<b>1,175,063</b>	<b>68,746,368</b>	<b>721,790,417</b>

# CITY OF uMHLATHUZE

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers government and other		855,029,998	684,994,352
Cash paid to suppliers and employees		622,941,224	622,941,224
Cash generated from operations	26	258,507,864	62,053,128
Interest received		11,668,451	7,754,253
Interest paid		(42,728,134)	(14,966,965)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<u>227,448,181</u>	<u>54,840,416</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property plant and equipment		(347,650,702)	(161,402,661)
Proceeds on disposal of property plant and equipment		11,541,078	9,031,745
Decrease in non-current receivables		2,723,792	1,881,364
<b>NET CASH UTILISED IN INVESTING ACTIVITIES</b>		<u>(333,385,832)</u>	<u>(150,489,552)</u>
<b>CASH FLOWS UTILISED IN FINANCING ACTIVITIES</b>			
New loans raised		299,730,989	78,211,865
(Decrease)/Increase in consumer deposits		(249,045)	8,226,124
<b>NET CASH UTILISED IN FINANCING ACTIVITIES</b>		<u>299,481,944</u>	<u>86,437,989</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>193,544,292</u>	<u>(9,211,147)</u>
Cash and cash equivalents at the beginning of the year		42,360,274	51,571,421
Cash and cash equivalents at the end of the year		235,904,566	42,360,274

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007**

**1. BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board during the financial year. The Municipality has availed itself of the exemptions as granted to high capacity Municipalities in Government Gazette 30013 dated 29 June 2007. The exemptions are in respect of the application of certain International Accounting Standards as set out in Note 33 to the Annual Financial Statements.

The Municipality may have transactions, events or balances that are outside the ambit of GAMAP and GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants — Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

**2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

**3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**4. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Housing selling schemes, both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

**5. RESERVES**

*5.1 Capitalisation Reserve*

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.



**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

**5.1 CAPITALISATION RESERVES (continued)**

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

*5.2 Government Grant Reserve*

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury.

When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

*5.3 Donations and Public Contributions Reserve*

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions. This is also applicable to the sale of developed land, as the infrastructure remains the property of the Municipality.

When an item of property, plant and equipment financed from Donations and Public Contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

*5.4 Insurance Reserve*

An insurance reserve is maintained to cover the excess on claims that may occur. Insurance premiums are not charged to the reserve. Contributions are made on an ad hoc basis depending on the status of the reserve.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

**6. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Where impaired land and buildings are revalued, the increase in value of land and buildings are recognised as revenue to the extent that it reverses the impairment loss previously recognised as an expense.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

	<b>Years</b>		<b>Years</b>
<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	15-30	Buildings	30
Pedestrian Malls	20	Specialised vehicles	10
Electricity	20-30	Other vehicles	3-7
Water	15-20	Office equipment	3-5
Sewerage	15-20	Furniture and fittings	7
Housing	30	Watercraft	15
<b>Community</b>		Bins and containers	5-10
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5	Landfill sites	15

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**7. LEASES**

*The Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

**7. LEASES (continued)**

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

*The Municipality as Lessor*

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**8. INVESTMENTS**

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where Investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**9. INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

**10. RECEIVABLES**

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

**11. REVENUE RECOGNITION**

*11.1 Revenue from Exchange Transactions*

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

**11. REVENUE RECOGNITION (continued)**

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time proportion basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

*11.2 Revenue from non-exchange transactions*

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items or property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

**12. CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

**13. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

**14. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

**15. RETIREMENT BENEFITS**

The municipality provides retirement benefits for its employees and councilors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

**16. BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

**17. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**18. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2007 (continued)**

**19. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**20. COMPARATIVE INFORMATION**

*20.1 Current year comparatives:*

Budgeted amounts have been included in the annual financial statements for the current financial year only.

*20.2 Prior year comparatives:*

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

**21. INTANGIBLE ASSETS**

The acquisition of computer software and expenses on website costs are recognized as intangible assets and are amortised on a straight-line basis over their estimated useful lives.

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>1 HOUSING DEVELOPMENT FUND</b>		
Housing Development Fund	14,149,239	4,391,375
Unappropriated Surplus	14,149,239	4,391,375

The Housing Development Fund is represented by the following assets

Debtors	-	1,492,161
Bank and cash	14,149,239	2,899,214
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>14,149,239</b>	<b>4,391,375</b>

**2 LONG-TERM LIABILITIES**

Annuity Loans	445,071,395	144,649,410
Capitalised Lease Liability	-	690,996
Sub-total	445,071,395	145,340,406
Less: Current portion transferred to current liabilities	(19,675,697)	(11,971,744)
Annuity Loans	(19,675,697)	(11,644,757)
Capitalised Lease Liability	-	(326,987)
<b>Total External Loans</b>	<b>425,395,698</b>	<b>133,368,662</b>

Refer to Appendix A for more detail on long-term liabilities

The capitalised lease liability is secured over the item of infrastructure leased.

An Electrical substation, owned and financed by the RB Equipment Trust is leased by the City of uMhlathuze. This asset has been capitalised in the records of the City of uMhlathuze. A loan of R39 907 462 (2006: R25 088 992) by Rand Merchant Bank to RB Equipment Trust is secured by a sinking fund deposit with Rand Merchant Bank of R38 732 311 (2006: R32 786 438).

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

2 LONG-TERM LIABILITIES(continued)

External Loans repayments- Future years

	DBSA	DBSA	RMB	Nedbank	INCA	DBSA (EMP)	Standard Bank	Nedbank	INCA	Totals
	31,866,978	7,872,485	1,175,151	3,046,051	14,512,245	1,392,737	81,959,464	83,246,283	220,000,000	445,071,395
	12.00%	14.50%	11.78%	15.54%	13.95%	16.16%	10.65%	9.75%	8.75%	
2008	5,347,468	1,403,464	1,175,151	3,198,872	2,570,621	536,932	14,479,616	14,164,249	19,302,740	62,179,112
2009	5,347,468	1,403,464			2,570,621	536,932	14,479,616	14,095,980	19,250,000	57,684,081
2010	5,347,468	1,403,464			2,570,621	536,932	14,479,616	14,004,997	33,473,084	71,816,183
2011	5,347,468	1,403,464			2,570,621	268,465	14,479,616	13,906,584	33,473,084	71,449,303
2012	5,347,468	1,403,464			2,570,621		14,479,616	13,801,036	33,472,084	71,074,290
2013	5,347,468	1,403,464			2,570,621		14,479,616	13,692,650	33,473,084	70,966,904
2014	5,347,468	1,403,464			2,570,621		14,479,616	13,545,304	33,473,084	70,819,558
2015	5,347,468	1,403,464			2,570,621		14,479,616	13,425,810	33,473,084	70,700,063
2016	5,347,468	1,403,464			2,570,621		14,479,616	13,278,711	33,472,084	63,312,156
2017	5,347,468	1,403,464			2,570,621				33,472,084	42,793,637
2018	5,347,468	1,403,464			2,570,621				33,473,084	42,794,637
2019					1,298,842				33,473,084	34,771,926

Disclosure about the Terms and Conditions of Financial Instruments-Borrowings

Future payments are based on the balances at 30/06/07

- (i) The interest rate applicable to the Standard Bank & Nedbank loan is variable and yearly instalments are therefore subject to interest rate risk
- (ii) Lease liability has been settled in full
- (iii) Yearly instalments payable bi-annually, consist of capital redemption and interest due and no other requirements are attached
- No early settlement options are profitable to Council
- Conversion options are not applicable
- There is no security given against the loans
- Receipts or payments of the loans are in South African currency



**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>3 CHANGE IN ACCOUNTING POLICY - GAMAP REVERSAL</b>		
The following adjustment was made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP:		
<b>3.1 Provision for post retirement benefits</b>		
Non-current provision		13,942,803
Current provision		1,126,500
Tranfered to accumulated surplus		<u><u>15,069,303</u></u>
<b>4 CONSUMER DEPOSITS</b>		
Electricity and Water	26,769,524	27,311,096
Other	648,260	355,733
<b>Total Deposits</b>	<u><u>27,417,784</u></u>	<u><u>27,666,829</u></u>
Guarantees held in lieu of Electricity and Water Deposits	<u><u>47,152,963</u></u>	<u><u>45,977,892</u></u>

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>5 CREDITORS</b>		
Trade creditors	59,471,485	29,334,078
Year end Creditors	51,237,434	55,656,014
Retentions	15,295,172	10,530,738
Staff leave	10,098,184	14,680,680
Staff Bonuses	5,375,776	4,884,694
<b>Total Creditors</b>	<b>141,478,051</b>	<b>115,086,204</b>

**6 UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**Conditional Grants from other spheres of Government**

National Conditional Grants	7,080,533	8,829,919
Provincial Local Government Grants	2,215,370	1,758,239
Provincial Development Planning Grants	37,201	58,717
Provincial Housing Grants	15,510,056	14,774,720
Provincial Library Services Subsidies	-	14,580
Provincial Community Development Workers Programme	43,433	59,293
Provincial Department of Transport Subsidy	167,279	167,279
Department of Water Affairs (DWAF) Cleanest Town Award	70,507	139,967
Department of Water Affairs (DWAF) Water Services Programme	415,937	438,268
Department of Water Affairs (DWAF) Refurbishment Grant	-	1,672,190
Department of Water Affairs (DWAF) Institutional Support Programme Grant	1,200,000	-
Department of Minerals & Energy	235,000	-
Municipal Infrastructure Grant (MIG)	7,743,619	4,797,841
uThungulu District Municipality Capacity Building Grant	240,000	240,000
uThungulu District Council Infrastructure Grant	48,489	188,600
uThungulu District Municipality Museum Operating Subsidy	36,756	36,756
	<b>35,044,180</b>	<b>33,176,369</b>

See Note 19 for reconciliation of grants from other spheres of government.

**7 VAT**

Output Suspense	2,260,410	2,780,659
Input Suspense	(10,220,366)	(6,160,772)
Output Payable	(3,538,746)	1,696,704
Input Claim	-	(207)
<b>VAT (claimable)</b>	<b>(11,498,702)</b>	<b>(1,683,616)</b>

VAT is payable on the payment basis. Only once payment is made or received is VAT claimed or paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>8 INVENTORY</b>		
Consumable stores - at cost	8,462,231	7,409,110
Water - at cost	586,041	763,526
<b>Total Inventory</b>	<b>9,048,272</b>	<b>8,172,636</b>

**9 Property, Plant And Equipment**

**30 June 2007**

<b>Reconciliation Of Carrying Values</b>	<b>Infrastructure</b>	<b>Community</b>	<b>Heritage</b>	<b>Other</b>	<b>Total</b>
<b>Carrying Values</b>					
<b>At 1 July 2006</b>	<b>572,893,786</b>	<b>51,551,384</b>	<b>49,502</b>	<b>116,212,109</b>	<b>739,706,781</b>
Cost	1,039,949,410	87,738,121	49,502	236,426,719	1,364,163,752
Accumulated Depreciation	(467,055,624)	(36,186,737)	-	(121,214,610)	(624,456,971)
Acquisitions	161,306,852	9,395,209	-	36,951,510	207,653,571
Capital Under Construction	129,768,796	2,904,842	-	4,363,518	137,037,156
Depreciation	(47,040,240)	(4,083,178)	-	(14,515,136)	(65,638,554)
Carrying Value Of Disposals	(34,774)	-	-	(2,093,755)	(2,128,529)
Cost/Revaluation	(55,303)	-	-	(3,866,501)	(3,921,804)
Accumulated Depreciation	20,529	-	-	1,772,746	1,793,275
<b>Carrying Values</b>					
<b>At 30 June 2007</b>	<b>816,894,420</b>	<b>59,768,256</b>	<b>49,502</b>	<b>139,918,246</b>	<b>1,016,630,425</b>
Cost	1,330,969,755	100,038,172	49,502	273,875,246	1,704,932,675
Accumulated Depreciation	(514,075,335)	(40,269,915)	-	(133,957,000)	(688,302,250)

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**Property, Plant And Equipment (continued)**

**30 June 2006**

<b>Reconciliation Of Carrying Values</b>	<b>Infrastructure</b>	<b>Community</b>	<b>Heritage</b>	<b>Other</b>	<b>Total</b>
<b>Carrying Values</b>					
<b>At 1 July 2005</b>	<b>488,838,664</b>	<b>43,302,458</b>	<b>49,502</b>	<b>108,638,698</b>	<b>640,829,322</b>
Cost	913,122,075	76,004,798	49,502	222,629,621	1,211,805,996
Accumulated Depreciation	(424,283,412)	(32,702,340)	-	(113,990,923)	(570,976,674)
Acquisitions	98,494,683	8,299,285	-	20,285,480	127,079,448
Capital Under Construction	28,670,172	3,468,618	-	1,567,201	33,705,991
Depreciation	(43,106,149)	(3,493,331)	-	(12,250,101)	(58,849,581)
Carrying Value Of Disposals	(3,583)	(25,646)	-	(3,029,170)	(3,058,399)
Cost/Revaluation	(337,520)	(34,580)	-	(8,055,583)	(8,427,683)
Accumulated Depreciation	333,937	8,934	-	5,026,413	5,369,284
<b>Carrying Values</b>					
<b>At 30 June 2006</b>	<b>572,893,786</b>	<b>51,551,384</b>	<b>49,502</b>	<b>115,212,109</b>	<b>739,706,781</b>
Cost	1,039,949,410	87,738,121	49,502	236,426,719	1,364,163,752
Accumulated Depreciation	(467,055,624)	(36,186,737)	-	(121,214,610)	(624,456,971)

The leased property, plant and equipment is secured as set out in Note 2.

**10 Intangible Asset**

**30 June 2007**

<b>Reconciliation Of Carrying Values</b>	<b>Total</b>
<b>Carrying Values</b>	
<b>At 1 July 2006</b>	<b>837,733</b>
Cost	5,618,906
Accumulated Amortisation	(4,781,173)
Acquisitions	2,959,975
Amortisation	(522,037)
<b>Carrying Values</b>	
<b>At 30 June 2007</b>	<b>3,275,671</b>
Cost	8,578,881
Accumulated Amortisation	(5,303,210)

**30 June 2006**

<b>Reconciliation Of Carrying Values</b>	<b>Total</b>
<b>Carrying Values</b>	
<b>At 1 July 2005</b>	<b>508,481</b>
Cost	5,001,684
Accumulated Amortisation	(4,493,203)
Acquisitions	617,222
Amortisation	(287,970)
<b>Carrying Values</b>	
<b>At 30 June 2006</b>	<b>837,733</b>
Cost	5,618,906
Accumulated Amortisation	(4,781,173)

**CITY OF UMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**11 INVESTMENT PROPERTY**

**30 June 2007**

Reconciliation of carrying values	Lot 617 Meerensee Ext 5- Pick n Pay	Lot 16990/2 Remainder Ext 90- Caravan park	Aiport	Total
<b>Carrying Values</b>				
<b>At 1 July 2006</b>	<b>341,611</b>	<b>138,293</b>	<b>1,075,447</b>	<b>1,555,351</b>
Cost	3,001,946	1,460,261	5,588,863	10,051,070
Accumulated Depreciation	(2,660,335)	(1,321,968)	(4,513,416)	(8,495,719)
Acquisitions	-	-	-	-
Capital Under Construction	-	-	-	-
Depreciation	(112,797)	(19,717)	(118,035)	(250,549)
Carrying Value Of Disposals	-	-	-	-
Cost	-	-	-	-
Accumulated Depreciation	-	-	-	-
<b>Carrying Values</b>				
<b>At 30 June 2007</b>	<b>228,814</b>	<b>118,576</b>	<b>957,412</b>	<b>1,304,802</b>
Cost	3,001,946	1,460,261	5,588,863	10,051,070
Accumulated Depreciation	(2,773,132)	(1,341,685)	(4,631,451)	(8,746,268)

**30 June 2006**

Reconciliation of carrying values	Lot 617 Meerensee Ext 5- Pick n Pay	Lot 16990/2 Remainder Ext 90- Caravan park	Aiport	Total
<b>Carrying Values</b>				
<b>At 1 July 2005</b>	<b>454,408</b>	<b>161,356</b>	<b>1,193,482</b>	<b>1,809,246</b>
Cost	3,001,946	1,460,261	5,588,863	10,051,070
Accumulated Depreciation	(2,547,538)	(1,298,905)	(4,395,381)	(8,241,824)
Acquisitions	-	-	-	-
Capital Under Construction	-	-	-	-
Depreciation	(112,797)	(23,063)	(118,035)	(253,895)
Carrying Value Of Disposals	-	-	-	-
Cost	-	-	-	-
Accumulated Depreciation	-	-	-	-
<b>Carrying Values</b>				
<b>At 30 June 2006</b>	<b>341,611</b>	<b>138,293</b>	<b>1,075,447</b>	<b>1,555,351</b>
Cost	3,001,946	1,460,261	5,588,863	10,051,070
Accumulated Depreciation	(2,660,335)	(1,321,968)	(4,513,416)	(8,495,719)

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**12 CONSUMER DEBTORS**

**As at 30 June 2007**

Service Debtors		82,586,339
Rates		11,867,783
Electricity	15,270,915	
June consumption billed in July	25,763,785	41,034,700
Water	11,174,730	
June consumption billed in July	6,296,253	17,470,983
Sewerage	7,779,840	
Special Sewer charges	190,961	7,970,801
Refuse		4,242,072
Rental		998,467
Gross Balance		83,584,806
Less: Provision for Bad Debts		(17,257,817)
Net Balance		66,326,989

**As at 30 June 2006**

Service Debtors		91,527,296
Rates		14,064,076
Electricity	20,583,281	
June consumption billed in July	25,290,361	45,873,642
Water	11,984,165	
June consumption billed in July	4,928,127	16,912,292
Sewerage	9,619,313	
Special Sewer charges	206,998	9,826,311
Refuse		4,850,975
Rental		3,313,960
Gross Balance		94,841,256
Less: Provision for Bad Debts		(32,461,937)
Net Balance		62,379,319

**CITY OF UMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>12 CONSUMER DEBTORS (continued)</b>		
<b>Rates Ageing</b>		
Current (0 - 30) days	6,018,775	6,315,885
31 - 60 days	1,015,958	955,515
61- 90 days	347,430	487,701
91 - 120 days	208,176	233,666
121-360 days	1,894,955	2,083,290
361 + days	2,382,489	3,988,019
<b>Total</b>	<b><u>11,867,783</u></b>	<b><u>14,064,076</u></b>
<b>Electricity, Water, Sewerage and Refuse: Ageing</b>		
Current (0 - 30) days	54,688,373	51,589,686
31 - 60 days	2,985,819	7,472,787
61- 90 days	1,130,390	2,174,698
91 - 120 days	889,441	1,316,023
121-360 days	4,303,073	4,957,995
361+ days	6,895,378	9,952,031
<b>Total</b>	<b><u>70,892,474</u></b>	<b><u>77,463,220</u></b>
<b>Rental</b>		
Current (0 - 30) days	327,751	243,526
31 - 60 days	129,878	57,324
61- 90 days	94,671	84,520
91 - 120 days	80,977	20,119
121-360 days	217,471	120,508
361+ days	147,719	2,787,963
<b>Total</b>	<b><u>998,467</u></b>	<b><u>3,313,960</u></b>

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**12 CONSUMER DEBTORS (continued)**

**Summary of Debtors by Customer classification**

	<b>Domestic consumers</b>	<b>Industry/ commercial</b>	<b>Nat / Provincial govt</b>
	R	R	R
<b>30 June 2007</b>			
Current (0 - 30) days	15,560,786	41,059,503	9,427,341
31 - 60 days	1,885,143	1,898,948	961,808
61- 90 days	1,378,451	840,289	591,340
91 - 120 days	875,472	601,581	544,162
121+days	12,718,060	7,545,868	6,780,293
Sub-total	32,417,912	51,946,189	18,304,944
Less provision for bad debt	(10,831,363)	(6,426,454)	-
<b>Total debtors by customer classification</b>	<b>21,586,549</b>	<b>45,519,735</b>	<b>18,304,944</b>

**Reconciliation of the bad debt provision**

	<b>2007 R</b>	<b>2006 R</b>
Balance at beginning of the year	32,461,937	25,179,024
Contributions to provision	(7,251,567)	8,412,494
Bad debts written off against provision	(7,952,553)	(1,129,581)
<b>Balance at end of year</b>	<b>17,257,817</b>	<b>32,461,937</b>

**13 LONG-TERM RECEIVABLES**

Housing loans	961,505	1,244,161
Study loans	3,607,238	5,140,899
Sport & Welfare Organisations	1,685	4,152
Car loans	372,556	1,277,564
	4,942,984	7,666,776
Less: Current portion transferred to Current Assets	(944,173)	(1,120,003)
<b>Total Receivables</b>	<b>3,998,811</b>	<b>6,546,773</b>

**14 OTHER DEBTORS**

Payments made in advance	266,333	2,450
Government subsidies	2,156,581	9,443,238
Year end debtors	19,446,501	9,861,335
<b>Total Other Debtors</b>	<b>21,869,415</b>	<b>19,307,023</b>

Housing Loans , car loans and study loans were made in terms of council policies on these schemes. No new housing or car loans have been granted since the effectice implementation date of the Municipal Finance Management Act of 2003. There are no significant terms or conditions that will effect the timeous recovery of these accounts.



**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>15 CALL INVESTMENT DEPOSITS</b>		
Short-term Investment	<u>150,000,000</u>	<u>-</u>
<b>16 BANK, CASH AND OVERDRAFT BALANCES</b>		
<b>Bank accounts</b>		
The municipality has the following bank accounts:		
<b>Current Account (Primary Account)</b>		
ABSA Bank - Richards Bay		
Current /Cheque Account number 2150000028		
Cash book balance at beginning of year	16,534,248	12,903,884
Cash book balance at end of year	20,972,900	16,534,248
Bank statement balance at beginning of year	16,512,299	12,906,015
Bank statement balance at end of year	27,319,920	16,512,299
<b>Deposit Account</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 2150000095		
Cash book balance at beginning of year	7,627,559	9,445,582
Cash book balance at end of year	8,500,114	7,627,559
Bank statement balance at beginning of year	6,657,995	8,518,679
Bank statement balance at end of year	7,600,525	6,657,995
<b>Hostel Account</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 90 8291 6767		
Cash book balance at beginning of year	15,277,203	16,016,409
Cash book balance at end of year	15,393,137	15,277,203
Bank statement balance at beginning of year	15,277,203	16,016,409
Bank statement balance at end of year	15,393,137	15,277,203
<b>Housing Account - Brackenham</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 2361 5121		
Cash book balance at beginning of year	2,899,214	2,730,079
Cash book balance at end of year	2,920,494	2,899,214
Bank statement balance at beginning of year	2,899,214	2,730,079
Bank statement balance at end of year	2,920,494	2,899,214

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**16 BANK, CASH AND OVERDRAFT BALANCES (continued)**

**Housing Account - Ngwelezane**

ABSA Bank - Richards Bay

Current /Cheque Account number 91 7137 3496

Cash book balance at beginning of year

-

-

Cash book balance at end of year

1,419,616

-

Bank statement balance at beginning of year

-

-

Bank statement balance at end of year

1,419,616

-

**Housing Account - Pionierhof**

ABSA Bank - Richards Bay

Current/Deposit Account number 90 9224 7889

Cash book balance at beginning of year

-

-

Cash book balance at end of year

9,809,129

-

Bank statement balance at beginning of year

-

-

Bank statement balance at end of year

9,809,129

-

**Conditional Grants**

ABSA Bank - Richards Bay

Current/Deposit Account number 91 7137 3917

Cash book balance at beginning of year

-

-

Cash book balance at end of year

20,517,523

-

Bank statement balance at beginning of year

-

-

Bank statement balance at end of year

20,517,523

-

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>17 PROPERTY RATES</b>		
<b>Actual</b>		
Residential	31,258,932	28,333,682
Commercial	60,570,058	55,744,428
State	6,274,070	5,983,204
<b>Total Assessment Rates</b>	<b>98,103,060</b>	<b>90,061,314</b>
<b>Property Valuations</b>		
Residential	771,308,500	753,969,100
Commercial	1,285,757,250	1,231,954,850
State	139,817,000	140,751,510
<b>Total Property Valuations</b>	<b>2,196,882,750</b>	<b>2,126,675,460</b>
<p>Property valuations are performed on land only. The last valuation for the former Richards Bay Administrative Unit came into effect 1 July 1998 and the former Empangeni Administrative Unit came into effect 1 July 1996. Interim valuations are processed to take into account changes to properties. A rate of R0.03718 (R0.03507 - 2006) for residential and R0.07383 (R0.06965 - 2006) for all other properties of Richards Bay area and a rate of R0.04666 (R0.04455 - 2006) for residential and R0.06307 (R0.05889 - 2006) for all other properties of Empangeni area, are applied to property valuations to determine property rates. Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis is, 30 September of each year end and 30 June for monthly ratepayers. Interest of 18% per annum is levied on outstanding rates. An additional 10% collection charge is levied two months after the due date.</p>		
<b>18 SERVICE CHARGES</b>		
Sale of electricity	299,812,301	291,539,002
Sale of water	75,162,098	74,483,312
Refuse removal	27,120,220	24,212,935
Sewerage and sanitation charges	41,867,904	32,336,349
<b>Total Service Charges</b>	<b>443,962,523</b>	<b>422,571,598</b>

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>19 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable Share	61,265,646	52,985,497
National Conditional Grants	2,249,386	3,174,031
Provincial Health Subsidies	4,478,340	2,700,847
Provincial Local Government Grants	242,869	506,472
Provincial Development Planning Grants	21,516	397,308
Provincial Housing Grants	425,640	1,789,725
Provincial Library Service Subsidies	14,580	445,395
Provincial Museum Services Subsidies	72,325	60,953
Provincial Arts & Culture Services Subsidies	51,817	-
Provincial Community Development Workers Programme	15,860	24,707
Provincial Department of Transport - Relocation of Licensing Offices	-	50,882
Department of Water Affairs - Cleanest Town Award	69,460	10,033
Department of Water Affairs - Water Services Programme	22,331	61,732
Department of Water Affairs - Refurbishment Grant	1,672,190	159,638
Department of Water Affairs - R293 Assets	95,909,000	-
Municipal Infrastructure Grant (incl SMIF allocation)	26,320,598	23,082,937
uThungulu District Municipality Environmental Health service	879,612	3,947,496
uThungulu District Municipality Capacity Building Grants	-	-
uThungulu District Municipality Management of Cemeteries	725,127	107,741
uThungulu District Municipality Museum Operating Subsidy	-	1,764
uThungulu District Municipality Infrastructure Grant	1,197,705	832,772
<b>Total Government Grants &amp; Subsidies</b>	<b>195,634,002</b>	<b>90,339,930</b>

**19.1 Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent communities.

**19.2 National Conditional Grants**

Balance unspent at beginning of year	8,829,919	10,648,950
Current year receipts	500,000	1,355,000
Conditions met - transferred to revenue	(2,249,386)	(3,174,031)
Conditions still to be met - transferred to liabilities	<u>7,080,533</u>	<u>8,829,919</u>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote support reforms to financial management and the implementation of the Municipal Finance Management Act. The Restructuring Grant received in 2002, 2003 & 2004 from National Treasury has been earmarked for certain projects that will improve the local economy.

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>19 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>19.3 Provincial Health Subsidies</b>		
Balance unspent at beginning of year	-	-
Current year receipts	4,478,340	2,700,847
Conditions met - transferred to revenue	(4,478,340)	(2,700,847)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
<p>The municipality renders health services on behalf of the Provincial Government and is refunded approximately 35% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There was no delay or withholding of the subsidy.</p>		
<b>19.4 Provincial Local Government Grants</b>		
Balance unspent at beginning of year	1,758,239	1,974,711
Current year receipts	700,000	290,000
Conditions met - transferred to revenue	(242,869)	(506,472)
Conditions still to be met - transferred to liabilities	<u><b>2,215,370</b></u>	<u><b>1,758,239</b></u>
<p>Provincial Local Government grants are used to implement, administrative and financial municipal framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds allocated for 2006/2007 R 50000 were not received as conditions were not met.</p>		
<b>19.5 Provincial Development Planning Grants</b>		
Balance unspent at beginning of year	58,717	356,025
Current year receipts	-	100,000
Conditions met - transferred to revenue	(21,516)	(397,308)
Conditions still to be met - transferred to liabilities	<u><b>37,201</b></u>	<u><b>58,717</b></u>
<p>Provincial Development Planning grants are used to promote informed integrated planning and development in the province. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds allocated for 2006/2007 R 50 000 &amp; R 30 000 were not received as conditions were not met.</p>		

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>19 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>19.6 Provincial Housing Grants</b>		
Balance unspent at beginning of year	14,774,720	15,390,726
Current year receipts	-	180,000
Conditions met - transferred to revenue	(425,640)	(1,789,725)
Interest Received	1,160,976	993,719
Conditions still to be met - transferred to liabilities	<u><b>15,510,056</b></u>	<u><b>14,774,720</b></u>
Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.		
<b>19.7 Provincial Library Services Subsidies</b>		
Balance unspent at beginning of year	14,580	14,580
Current year receipts	-	445,395
Conditions met - transferred to revenue	<u>(14,580)</u>	<u>(445,395)</u>
Conditions still to be met - transferred to liabilities	<u><b>-</b></u>	<u><b>14,580</b></u>
Provincial Library Grants were allocated to subsidise the purchase of equipment for various libraries. A subsidy was also received to assist in the construction of the Empangeni Library Study Hall. The subsidies are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.		
<b>19.8 Provincial Museum Services Subsidies</b>		
Balance unspent at beginning of year	-	-
Current year receipts	72,325	60,953
Conditions met - transferred to revenue	<u>(72,325)</u>	<u>(60,953)</u>
Conditions still to be met - transferred to liabilities	<u><b>-</b></u>	<u><b>-</b></u>
Department of the Premier allocates a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.		

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>19 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>19.9 Provincial Community Development Workers Programme</b>		
Balance unspent at beginning of year	59,293	-
Current year receipts	-	84,000
Conditions met - transferred to revenue	(15,860)	(24,707)
Conditions still to be met - transferred to liabilities	<u>43,433</u>	<u>59,293</u>
Department of Local Government and Traditional Affairs allocated funds to Council for the administration of the Community Development Workers Programme. No funds have been withheld.		
<b>19.10 Provincial Department of Transport Subsidy</b>		
Balance unspent at beginning of year	167,279	167,279
Current year receipts	-	50,882
Conditions met - transferred to revenue	-	(50,882)
Conditions still to be met - transferred to liabilities	<u>167,279</u>	<u>167,279</u>
Provincial Department of Transport Subsidy for the reimbursement of expenses paid for the relocation of the Empangeni Licensing Offices. The Department also provided for a subsidy for a Pedestrian Safety Project. No funds have been withheld.		
<b>19.11 Department of Water Affairs (DWAF) Cleanest Town Award</b>		
Balance unspent at beginning of year	139,967	-
Current year receipts	-	150,000
Conditions met - transferred to revenue	(69,460)	(10,033)
Conditions still to be met - transferred to liabilities	<u>70,507</u>	<u>139,967</u>
Department of Water Affairs Cleanest Town Award. Funds will be used on a recycling project. No funds have been withheld.		
<b>19.12 Department of Water Affairs (DWAF) Water Services Programme</b>		
Balance unspent at beginning of year	438,268	-
Current year receipts	-	500,000
Conditions met - transferred to revenue	(22,331)	(61,732)
Conditions still to be met - transferred to liabilities	<u>415,937</u>	<u>438,268</u>
Department of Water Affairs Sector Institutional Support and Capacity Building Initiatives in support of Water Services Authority and Water Service Provider functions. The grants are spent in accordance with an approved business proposal.		

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>19 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>19.13 Department of Water Affairs (DWA) Refurbishment Grant</b>		
Balance unspent at beginning of year	1,672,190	901,828
Current year receipts	-	930,000
Conditions met - transferred to revenue	<u>(1,672,190)</u>	<u>(159,638)</u>
Conditions still to be met - transferred to liabilities	<u><u>-</u></u>	<u><u>1,672,190</u></u>

Department of Water Affairs Refurbishment Grant and Subsidy for Water Services Works. The grant is spent in accordance with an approved business plan.

**19.14 Municipal Infrastructure Grant (MIG)**

Balance unspent at beginning of year	4,797,841	738,492
Current year receipts	29,266,376	27,142,286
Conditions met - transferred to revenue	<u>(26,320,598)</u>	<u>(23,082,937)</u>
Conditions still to be met - transferred to liabilities	<u><u>7,743,619</u></u>	<u><u>4,797,841</u></u>

This grant was used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

**19.15 uThungulu District Municipality Environmental Health Costs**

Balance unspent at beginning of year	-	-
Current year receipts	879,612	3,947,496
Conditions met - transferred to revenue	<u>(879,612)</u>	<u>(3,947,496)</u>
Conditions still to be met - transferred to liabilities	<u><u>-</u></u>	<u><u>-</u></u>

The function to provide environmental health services was transferred to the District Municipality. Council is still performing this function on behalf of the District Municipality. In terms of a service level agreement the District Municipality allocates Council a portion of their Equitable Share allocation.



**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>19 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>19.16 uThungulu District Municipality Capacity Building Grant</b>		
Balance unspent at beginning of year	240,000	240,000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>240,000</u>	<u>240,000</u>
uThungulu District Council allocated funds for capacity building grants. No funds have been withheld.		
<b>19.17 uThungulu District Municipality Administration of Regional Cemeteries</b>		
Balance unspent at beginning of year	-	-
Current year receipts	725,127	107,741
Conditions met - transferred to revenue	<u>(725,127)</u>	<u>(107,741)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>
Council administers the Regional Cemetery on behalf of uThungulu District Council in terms of a service level agreement. No funds have been withheld.		
<b>19.18 uThungulu District Municipality Museum Operating Subsidy</b>		
Balance unspent at beginning of year	36,756	20,000
Current year receipts	-	18,520
Conditions met - transferred to revenue	-	(1,764)
Conditions still to be met - transferred to liabilities	<u>36,756</u>	<u>36,756</u>
uThungulu District Council allocated a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.		

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>19 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>19.19 uThungulu District Council Infrastructure Grant</b>		
Balance unspent at beginning of year	188,600	1,021,372
Current year receipts	1,057,593	-
Conditions met - transferred to revenue	(1,197,705)	(832,772)
Conditions still to be met - transferred to liabilities	<u><b>48,488</b></u>	<u><b>188,600</b></u>
uThungulu District Council provided a grant to partially fund the Nseleni Bulk Water Supply Project and a further grant for capital projects in the IDT area. No funds have been withheld.		
<b>19.20 Department of Minerals &amp; Energy</b>		
Balance unspent at beginning of year	-	-
Current year receipts	235,000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u><b>235,000</b></u>	<u><b>-</b></u>
Department of Minerals & Energy in support of Electrification Projects. The grants are spent in accordance with an approved business proposal.		
<b>19.21 Department of Water Affairs (DWAF)</b>		
Balance unspent at beginning of year	-	-
Current year receipts	95,909,000	-
Conditions met - transferred to revenue	(95,909,000)	-
Conditions still to be met - transferred to liabilities	<u><b>-</b></u>	<u><b>-</b></u>
Transfer of Sewer and Water Pumpstations assets from the previous R293 Towns to Council.		
<b>19.22 Changes in levels of government grants</b>		
Based on the allocations set out in the Division of Revenue Act, (Act No.2 of 2006), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.		
<b>20 OTHER INCOME</b>		
Building Plans	1,314,696	1,428,571
Extension Fees	16,437,602	8,964,817
Connection Fees	1,992,672	2,458,178
Other Income	32,581,519	7,655,214
<b>Total Other Income</b>	<u><b>52,326,489</b></u>	<u><b>20,506,780</b></u>

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>21 EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	140,780,659	130,241,651
Employee related costs - Contributions for UIF, pensions and medical aids	37,558,939	33,840,726
Travel, motor car, accommodation, subsistence and other allowances	20,357,569	19,458,923
Housing benefits and allowances	8,034,264	8,429,033
Overtime payments	17,520,638	16,231,969
Performance bonus	645,991	569,043
Leave Payments	1,287,466	9,589,162
Less: Employee costs capitalised to Property, Plant and Equipment	(2,309,359)	(2,471,054)
<b>Total Employee Related Costs</b>	<b>223,876,167</b>	<b>215,889,453</b>

There were no advances to employees. Loans to employees are set out in note 13.

**Remuneration of the Municipal Manager**

Annual Remuneration	529,912	478,172
Performance Bonuses	109,724	109,800
Housing Subsidy	65,534	65,534
Travel Allowance	188,294	188,294
Contributions to UIF, Medical and Pension Funds	1,399	1,252
<b>Total</b>	<b>894,863</b>	<b>843,052</b>

**Remuneration of Individual Executive Directors**

	<b>Chief Financial Officer</b>	<b>City Engineer</b>	<b>City Electrical Engineer</b>
<b>30 June 2007</b>			
Annual Remuneration	290,713	374,496	245,692
Annual Bonus	-	-	18,726
Entertainment	-	-	233
Performance Bonuses	91,129	91,129	49,615
Housing Subsidy	46,674	-	30,068
Travel Allowance	241,241	101,590	113,811
Contributions to UIF, Medical and Pension Funds	24,835	127,376	54,439
<b>Total</b>	<b>694,592</b>	<b>694,591</b>	<b>512,584</b>
<b>30 June 2006</b>			
Annual Remuneration	271,542	349,800	282,405
Annual Bonus	-	-	23,534
Entertainment	-	-	1,400
Performance Bonuses	84,811	84,811	28,241
Housing Subsidy	46,674	-	15,873
Travel Allowance	225,627	106,349	134,680
Contributions to UIF, Medical and Pension Funds	22,813	110,507	85,611
<b>Total</b>	<b>651,467</b>	<b>651,467</b>	<b>571,744</b>

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

21 EMPLOYEE RELATED COSTS (continued)

Remuneration of Individual Executive Directors

30 June 2007

	Management Services	Corporate Services	Planning & Sustainable Development
Annual Remuneration	374,496	302,343	290,713
Annual Bonus	-	24,946	-
Entertainment	-	1,400	-
Performance Bonuses	91,129	30,534	91,129
Housing Subsidy	46,674	17,400	46,674
Travel Allowance	92,207	145,315	232,054
Contributions to UIF, Medical and Pension Funds	90,086	106,951	34,022
<b>Total</b>	<b>694,592</b>	<b>628,889</b>	<b>694,592</b>

30 June 2006

Annual Remuneration	262,350	282,405	271,542
Annual Bonus	-	23,534	-
Entertainment	-	1,400	-
Performance Bonuses	63,608	28,241	84,811
Housing Subsidy	35,005	15,263	46,673
Travel Allowance	64,263	134,680	217,046
Contributions to UIF, Medical and Pension Funds	63,422	91,043	31,395
<b>Total</b>	<b>488,648</b>	<b>576,566</b>	<b>651,467</b>

Remuneration of Individual Executive Directors

30 June 2007

	Community Facilitation & Marketing	Community Services & Health	Parks Sports & Recreation
Annual Remuneration	302,343	302,343	302,343
Annual Bonus	24,946	24,946	24,946
Entertainment	1,400	1,400	1,400
Performance Bonuses	30,534	30,534	30,534
Housing Subsidy	38,189	16,515	19,450
Travel Allowance	143,478	145,044	145,315
Contributions to UIF, Medical and Pension Funds	108,797	97,527	108,084
<b>Total</b>	<b>649,687</b>	<b>618,309</b>	<b>632,072</b>

30 June 2006

Annual Remuneration	282,405	282,405	282,405
Annual Bonus	23,534	23,534	23,534
Entertainment	1,400	1,400	1,400
Performance Bonuses	28,240	28,241	28,241
Housing Subsidy	23,702	14,535	17,168
Travel Allowance	134,634	134,614	134,680
Contributions to UIF, Medical and Pension Funds	92,674	89,360	91,618
<b>Total</b>	<b>586,589</b>	<b>574,089</b>	<b>579,046</b>

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
<b>22 REMUNERATION OF COUNCILLORS</b>		
Mayor	429,981	425,726
Deputy Mayor	342,381	384,000
Speaker	344,690	347,598
Executive Committee Members	2,544,183	2,283,384
Councillors	6,678,211	5,311,520
Councillors pension contribution	1,004,380	889,923
<b>Total Councillors Remuneration</b>	<b>11,343,826</b>	<b>9,642,151</b>
The Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council		
<b>23 INTEREST PAID</b>		
Long-term liabilities	42,651,559	14,890,390
Finance leases	76,575	76,575
<b>Total Interest on External Borrowings</b>	<b>42,728,134</b>	<b>14,966,965</b>
<b>24 BULK PURCHASES</b>		
Electricity	188,345,409	184,489,499
Water	32,381,062	31,941,770
<b>Total Bulk Purchases</b>	<b>220,726,471</b>	<b>216,431,269</b>
<b>25 GRANTS AND SUBSIDIES PAID</b>		
Richards Bay Country Club	419,946	436,165
S P C A	222,000	212,000
uMhlathuze Tourism Association	200,000	160,000
Independent Development Trust Ngwelazane Housing	27,260	238,000
Sabokwe Community-Removal of Graves	-	87,473
Zululand Expo	17,600	14,183
Sundries	46,087	52,494
<b>Total Grants and Subsidies</b>	<b>932,893</b>	<b>1,200,315</b>

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
<b>26 CASH GENERATED FROM OPERATIONS</b>		
Surplus for the year	159,390,717	18,136,136
Adjustment for:		
Depreciation	65,889,103	59,391,445
Amortisation	522,037	
(Gain)/Loss on disposal of property, plant and equipment	(9,412,549)	(5,973,346)
Movement in bad debt provision	(15,204,121)	7,282,913
Movement in non-current provisions	-	32,635
Investment income	(11,668,451)	(7,754,253)
Interest paid	42,728,134	14,966,965
<b>Operating surplus before working capital changes:</b>	<b>232,244,870</b>	<b>86,082,495</b>
(Increase)/Decrease in inventories	(875,636)	1,513,428
Increase/(Decrease) in debtors	11,256,450	(2,998,752)
Increase in other debtors	(2,562,392)	(2,569,326)
Increase in conditional grants and receipts	1,867,811	1,702,406
Increase/(Decrease) in creditors	26,391,847	(7,375,440)
Increase in VAT claimable	(9,815,086)	(14,301,683)
<b>Cash generated from operations</b>	<b>258,507,864</b>	<b>62,053,128</b>
<b>27 BANK BALANCES AND CASH</b>		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position		
Bank balances and cash	85,904,566	42,360,274
<b>Total bank balances and cash</b>	<b>85,904,566</b>	<b>42,360,274</b>
<b>28 UNAUTHORISED, IRREGULAR AND WASTEFUL EXPENDITURE DISALLOWED</b>		
<b>Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure		
Unauthorised expenditure current year	452,992	21,668,390
Approved by Council or condoned	(452,992)	(21,668,390)
Unauthorised expenditure awaiting authorisation	-	-

**CITY OF UMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>	<b>2006</b>
	<b>R</b>	<b>R</b>
<b>29 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT</b>		
<b>29.1 Contributions to Salga</b>		
Council subscriptions	709,387	1,131,645
Amount paid	<u>(709,387)</u>	<u>(1,131,645)</u>
<b>29.2 Audit fees</b>		
Amount paid - current year	<u>1,322,848</u>	<u>1,374,499</u>
<b>29.3 PAYE and UIF</b>		
Current year payroll deductions	26,851,860	30,031,158
Amount paid - current year	<u>(26,851,860)</u>	<u>(30,031,158)</u>
<b>29.4 Pension and Medical Aid Deductions</b>		
Opening balance	4,528	106,607
Current year payroll deductions	52,791,449	48,465,990
Amount paid - current year	(52,791,361)	(48,461,462)
Amount paid - previous year	<u>(4,528)</u>	<u>(106,607)</u>
<b>Balance unpaid (included in creditors)</b>	<u><b>88</b></u>	<u><b>4,528</b></u>

The balance represents continued members contributions received in advance.

**29.5 Councillor's Arrear Consumer Accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2007

	<b>Total</b>	<b>Outstanding Less Than 90 Days</b>	<b>Outstanding More Than 90 Days</b>
None	-	-	-
<b>Total Councillor Arrear Consumer Account</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>
<b>30 June 2006</b>			
Councillor Tshabalala CN*	8,664	372	8,292
Councillor Zulu SM	668	589	79
<b>Total Councillor Arrear Consumer Account</b>	<u><b>9,332</b></u>	<u><b>961</b></u>	<u><b>8,371</b></u>

\*Tshabalala CN is a new Councillor elected in 2006

During the year the following Councillor's had arrears accounts outstanding for more than 90 days.

**30 June 2007**

	<b>Highest Amount Outstanding</b>	<b>Ageing</b>
Councillor Tshabalala CN	1,295	300 days
<b>30 June 2006</b>		
Councillor Tshabalala CN	3,734	330 days

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
<b>30 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
Approved and contracted for	201,277,988	90,624,146
Approved but not yet contracted for	226,704,812	357,426,854
<b>Total capital commitments</b>	<b>427,982,800</b>	<b>448,051,000</b>
 This expenditure will be financed from:		
Internal Sources	6,310,000	7,412,700
External Loans	245,044,600	229,570,600
Grants	176,628,200	211,067,700
	<b>427,982,800</b>	<b>448,051,000</b>
 <b>31 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS</b>		
Guarantees by City of uMhlathuze in respect of building society and commercial bank housing loans to officials.	567,700	878,859
Guarantee by City of uMhlathuze in respect of Postal services.	80,000	80,000

## 32 RETIREMENT BENEFITS

The last actuarial valuations of the Natal Joint Municipal Pension Funds (Superannuation and Retirement) was done at 31 March 2006. These valuations disclosed a deficit for past service of R88,3 million and a deficit for past service of R204,3 million respectively. This shortfall will be met by increased employer contributions, implemented from July 2007. The last actuarial valuation of the Municipal Councillors Pension Fund was done at 30 June 2003. This valuation indicated that the fund is in a sound financial position.



# CITY OF UMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### 33 EXEMPTIONS FOR IMPLEMENTATION OF GAMAP

33.1) The table below sets out the standards or part of standards that have been exempted by Government Gazette 30013, dated 29 June 2007, of which Council has taken advantage.

Financial Reporting Standard	Extent Of Exemption From Standard	Exemption Period
GRAP 3	Accounting policies, changes in accounting estimates and errors	For the 2006/07 and 2007/08 financial years
GAMAP 17	Property, plant and equipment (PPE)	For the 2006/07 and 2007/08 financial years
	Review of useful life of items of PPE recognised in the annual financial statements [paragraphs 59-61, and 77]	
	Review of depreciation method applied to PPE recognised in the annual financial statements [paragraphs 62 and 77]	For the 2006/07 and 2007/08 financial years
	Impairment of non-cash generating assets [paragraphs 64-69 and 75(5)(4)-(vi)]	For the 2006/07 and 2007/08 financial years
	Impairment of non-cash generating assets [paragraphs 63 and 75(5)(4)-(vi)]	For the 2006/07 and 2007/08 financial years
IAS 36 (AC128)	Entire standard	For the 2006/07 and 2007/08 financial years
GAMAP 12	Inventories	For the 2006/07 and 2007/08 financial years
	The entire Standard as far as it relates to immovable capital assets inventory that is for in terms of GAMAP 17	
	The entire Standard as far as it relates to water stock that was not purchased by the municipality	For the 2006/07 and 2007/08 financial years
IAS 40 (AC 135)	Investment Property	For the 2006/07 and 2007/08 financial years
	The entire Standard to the extent that the property is accounted for in terms of GAMAP 17	
	Disclosure of fair value of investment property if the cost model is applied and where the municipality has recognised the investment property in terms of this standard [paragraphs 79(e)(i)-(iii)]	For the 2006/07 and 2007/08 financial years

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

**33 EXEMPTIONS FOR IMPLEMENTATION OF GAMAP(continued)**

<b>Financial Reporting Standard</b>	<b>Extent Of Exemption From Standard</b>	<b>Exemption Period</b>
IAS 17 (AC 105)	Leases  Recognising operating lease payments/receipts on a straight line basis if the amount are recognised on the basis of the cash flow in the lease agreement. (SAICA circular 33, 34, 50, 51 of IAS 17/AC 105)	For the 2006/07 and 2007/08 financial years
IAS 38 (AC 129)	Intangible Assets  The entire standard except for the recognition, measurement and disclosure of computer software and websites costs (SIC 32/AC 432) and all other costs are expensed	For the 2006/07 and 2007/08 financial years
IAS 19 AC (116)	Employee Benefits  Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contributions plans and the defined benefit obligation disclosed by narrative information. [Paragraphs 29, 48-119, 120A(c)-(g)]	For the 2006/07 and 2007/08 financial years
GAMAP 9	Revenue  Initial measurement of fair value discounting all future receipts using an imputed rate of interest. (SAICA circular 09/06 and paragraph 12)	For the 2006/07 and 2007/08 financial years
IAS 39 (AC 133)	Financial instruments: Recognition and measurement  Initially measuring financial assets and financial liabilities at fair value. (SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133)	For the 2006/07 and 2007/08 financial years
IFRS 5 (AC 142)	Non-current assets held for sale and discontinued operations  Classification, measurement and disclosure of non-current assets held for sale [paragraphs 6-14, 15-29 (in so far as it relates to non-current assets held for sale), 38-42]	For the 2006/07 and 2007/08 financial years
IFRS 7 (AC 144)	Financial instruments: Disclosures  Entire standard to be replaced by IAS 32 (AC125) issued August 2006 and effective for financial statements covering periods beginning on or after 01-Jan-98	For the 2006/07 and 2007/08 financial years
IAS 20 (AC 134)	Accounting for government grants and disclosure of government assistance  Entire standard excluding paragraph 24 and 26, replaced by paragraph 08 of GAMAP 12, paragraph 25 of GAMAP 17 and paragraphs 42-46 of GAMAP 9	For the 2006/07 and 2007/08 financial years

## **CITY OF uMHLATHUZE**

### **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007**

#### **33 EXEMPTIONS FOR IMPLEMENTATION OF GAMAP(continued)**

33.2) The implementation plan for compliance with the exceptions above as required by circular 44 will be submitted by the required due date i.e 30 October 2007 and 31 March will reflect the progress towards full compliance with sections 122(2) and (3) of the MFMA.

33.3) The most significant implication of the application of the standards will result from GAMAP 17. The provision for employee benefits for present and retired employees will million. However this will be largely offset by the implementation of GAMAP 17. The will result in significant reversals of depreciation.

#### **34 EVENTS AFTER THE REPORTING DATE**

No material facts and circumstances have occurred between the accounting date and the have an impact on the financial statements.

# APPENDIX A

## CITY OF UMHLATHUZE : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2007

EXTERNAL LOANS	Intr Rate	Loan Number	Redeemable	Balance at 30/06/05	Received during the period	Redeemed written off during the period	Balance at 30/06/07	Carrying Value Property, Plant & Equipment	Other Costs In Accordance With The MFMA
<b>LONG-TERM LOANS</b>									
Development Bank of SA	12.00%	10593	2018/03/31	6,621,306.95	-	268,392.11	6,352,914.84	1,559,009	-
Development Bank of SA	12.00%	10594	2017/03/31	3,114,142.58	-	147,798.76	2,966,343.82	2,522,520	-
Development Bank of SA	12.00%	10595	2017/03/31	11,692,174.75	-	554,916.67	11,137,258.08	-	-
Development Bank of SA	12.00%	10596	2017/03/31	2,720,807.42	-	129,130.87	2,591,676.55	-	-
Development Bank of SA	14.50%	10597	2018/03/31	8,153,090.28	-	280,605.12	7,872,485.16	2,631,993	-
Development Bank of SA	12.00%	10600	2017/03/31	5,306,378.25	-	251,843.42	5,054,534.83	1,649,349	-
Development Bank of SA	12.00%	10601	2017/03/31	3,153,982.52	-	149,690.20	3,004,302.32	123,200	-
Development Bank of SA	12.00%	10602	2017/03/31	797,812.46	-	37,864.57	759,947.89	274,354	-
Nedbank	15.54%		2008/01/30	41,559,705.21	-	1,820,241.72	39,739,463.49	8,760,425	-
INCA	13.95%	UMHL	2019/06/30	5,667,412.64	-	2,621,361.62	3,046,051.02	-	-
Development Bank of SA	16.16%	11665	2010/12/31	15,005,954.49	-	493,709.98	14,512,244.51	12,217,751	-
Standard Bank	*1	357636	2015/03/31	1,670,056.78	-	277,319.72	1,392,737.06	426,440	-
Nedbank	*2	05/7831	2016/06/30	87,731,555.45	-	5,772,091.03	81,959,464.42	79,418,869	-
INCA	8.75%		2019/06/28	90,000,000.00	90,000,000.00	6,753,716.78	83,246,283.22	43,680,803	-
Total long-term loans				220,000,000.00	220,000,000.00	-	220,000,000.00	159,360,769	-
				151,634,684.57	310,000,000.00	17,738,440.85	443,896,243.72	100,823,485	-
<b>SALE &amp; LEASE-BACK</b>									
Rand Merchant Bank	11.78%		2007/07/01	37,990,834.30	1,916,627.53	-	39,907,461.83	-	-
Rand Merchant Bank	14.74%		2007/07/01	(12,189,670.00)	-	(12,189,670.00)	-	-	-
Rand Merchant Bank	17.38%		2007/07/01	(32,786,438.00)	(5,945,873.00)	-	(38,732,311.00)	12,338,730	-
Total				(6,985,273.70)	(4,029,245.47)	(12,189,670.00)	1,175,150.83	12,338,730	-
<b>LEASE LIABILITY</b>									
ABSA Bank	9.00%	67697451	2006/10/31	593,877.38	-	593,877.38	-	-	-
ABSA Bank	9.00%	68281534	2006/10/31	97,119.10	-	97,119.10	-	724,230	-
Total				690,996.48	-	690,996.48	-	724,230	-
TOTAL EXTERNAL LOANS				145,340,407.35	305,970,754.53	6,239,767.33	445,071,394.55	113,886,445	-

\*1 = JIBAR plus 1.218%

\*2 = Prime less 3.249%

**APPENDIX B**

**CITY OF MNHLATHUZE : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
Infrastructure									
Power Stations	60,007,822	19,455,184	32,901,066		112,364,072	23,345,508	2,051,136		25,396,644
Electricity Meters	7,950,286	1,086,932		44,449	8,992,771	4,309,313	270,150	11,484	4,567,979
Electricity Peak Load Equipment	8,476,631	442,448			8,919,079	7,629,634	416,729		8,046,363
Switchgear Equipment	10,215,575				10,215,575	5,163,645	510,779		5,674,424
Electricity Supply And Reticulation	188,913,745	8,791,625	3,080,592		200,785,962	70,910,724	8,783,756		79,694,480
Electricity Mains	13,136,290				13,136,290	10,982,434	269,859		11,252,293
Street Lights	14,701,780	1,243,010			15,944,790	11,125,063	676,376		11,801,439
Stormwater Drains	30,377,475		2,801,529		33,179,004	20,113,773	2,125,834		22,239,607
Roads	345,600,669	29,618,983	27,011,130		402,230,782	228,593,256	16,481,433		245,074,689
Reservoirs-Water	29,434,407	381,193	6,914,127		36,729,727	9,501,054	1,148,553		11,049,607
Water Meters	8,335,143	168,073	995,417		9,498,633	4,549,293	538,110		5,087,403
Water Mains	16,916,328		826,746		17,743,074	7,138,961	741,420		7,880,381
Water Supply And Reticulation	198,985,897	60,771,585	32,428,666		292,186,148	32,026,503	8,776,920		40,893,423
Water Mains & Purification	102,015,543	39,300,184	22,809,524		164,125,251	27,545,325	3,960,461		31,505,806
Pedestrian Malls	3,033,860				3,033,860	2,589,424	138,427		306,009
Taxways	360,592				360,592	109,560	18,030		127,590
Security Measures	1,487,366	47,635		10,854	1,524,147	1,022,154	132,248	9,045	1,145,357
	1,039,949,411	161,306,852	129,768,797	55,303	1,330,969,757	467,055,624	47,040,241	20,529	514,075,336
Community Assets									
Beach Development	19,792,150	283,634	2,455,698		22,247,848	5,467,331	659,738		6,127,069
Cemeteries	3,016,798		110,300		3,410,732	786,335	97,544		883,879
Clinics	67,293	144,621			211,914	19,398	3,959		23,357
Community Centres	6,837,739	1,258,488			8,096,227	3,112,154	426,732		3,538,866
Fire Stations	1,781,497	274,573			2,056,070	331,816	57,785		389,601
Libraries	8,225,682	49,750			8,275,432	4,101,326	384,760		4,486,086
Museum	2,097,712				2,097,712	497,729	99,422		597,151
Parks & Gardens	11,194,045				11,194,045	9,379,356	496,690		9,876,046
Public Conveniences	6,214,641	1,637,737	338,844		7,852,378	729,968	451,570		1,181,538
Recreation Facilities	26,510,562	5,746,406			34,555,812	11,761,324	1,404,976		13,166,300
	87,739,119	9,395,209	2,304,842	-	100,038,170	36,186,737	4,083,176	-	40,269,913
									59,768,257

**APPENDIX B (continued)**

**CITY OF Umhlatuze : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2007**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
<b>Heritage Assets</b>									
Historical Buildings	49,502	-	-	-	49,502	-	-	-	49,502
Painting & Art Galleries	49,502	-	-	-	49,502	-	-	-	49,502
<b>Other Assets</b>									
Housing Schemes	10,655,792	142,794	278,717	3,657,241	7,277,268	2,670,378	343,669	1,594,552	1,419,495
Nurses	184,072	-	-	-	326,866	83,954	6,527	-	90,481
Office Buildings	68,003,965	1,149,003	353,178	-	69,506,146	26,959,120	3,241,211	-	30,200,331
Tip Sites	3,263,591	81,554	469,576	-	3,814,721	318,811	167,705	-	486,516
Workshops & Depots	9,862,903	4,913,695	3,262,046	-	18,038,644	1,234,291	503,507	-	1,737,798
Office Equipment	8,296,852	3,966,990	-	28,795	12,235,047	4,070,232	1,694,370	28,795	5,735,807
Furniture & Fittings	4,746,515	1,361,188	-	4,408	6,103,295	2,388,462	530,670	854	5,735,807
Bins & Containers	2,072,251	2,072,313	-	-	4,130,564	964,088	220,661	-	2,885,278
Emergency Equipment	69,708	-	-	-	69,708	41,946	5,089	-	1,184,749
Motor Vehicles	45,899,992	15,904,132	-	69,890	61,734,234	22,625,304	5,287,880	69,890	27,843,294
Fire Engines	3,858,540	2,400,000	-	106,167	6,258,540	1,156,609	328,265	-	1,486,874
Plant And Equipment	13,478,195	4,956,841	-	-	18,328,869	8,813,713	2,185,563	78,655	10,920,641
Land Main Investments	66,028,344	3,000	-	-	66,031,344	49,965,702	-	-	49,965,702
	236,426,720	36,951,510	4,363,517	3,866,501	273,875,246	121,214,610	14,515,137	1,772,746	133,957,001
<b>Total</b>	<b>1,364,163,752</b>	<b>207,653,571</b>	<b>137,037,156</b>	<b>3,921,804</b>	<b>1,704,932,675</b>	<b>624,456,971</b>	<b>65,638,554</b>	<b>1,793,275</b>	<b>688,302,250</b>
									<b>1,016,630,425</b>

# APPENDIX C

## CITY OF UMLATHUZE : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance
Executive & Council	956,278	1,754			958,032	279,003	159,246		438,249
Finance & Admin	89,142,818	25,011,602		3,307,337	110,847,083	43,865,199	8,587,219	(1,588,833)	50,863,585
Planning & Development	20,489,705	78,620			20,568,325	5,793,244	59,532		5,852,776
Health	638,706	100,689			739,395	379,860	96,332		476,192
Community & Social Services	119,125,328	10,040,119	3,725,525	35,149	132,855,823	49,167,475	6,211,822	(31,417)	55,347,880
Housing	4,017,149		278,717	509,149	3,786,717	903,827	213,408	(121,898)	995,537
Public Safety	2,466,692	322,939		743	2,788,888	826,363	219,330	(743)	1,044,950
Sport & Recreation	65,431,212	6,678,743	2,794,542	69,426	74,835,071	31,354,057	2,909,062	(50,584)	34,212,535
Waste Management	117,202,230	42,708,280	18,655,563		178,566,093	47,313,797	4,119,697		51,433,494
Road Transport	388,692,966	29,898,595	29,812,659		448,404,220	255,472,419	18,728,347		274,200,766
Water	281,699,506	61,443,461	45,788,473		388,931,440	68,796,532	12,780,734		81,577,266
Electricity	274,297,062	31,368,769	35,981,657		341,647,488	120,305,196	11,553,825		131,859,021
Other	4,100				4,100				
<b>Total</b>	<b>1,364,163,752</b>	<b>207,653,571</b>	<b>137,037,156</b>	<b>3,921,804</b>	<b>1,704,932,675</b>	<b>624,456,971</b>	<b>66,638,554</b>	<b>(1,793,276)</b>	<b>688,302,250</b>
									<b>1,016,630,425</b>

# APPENDIX D

## CITY OF UMHILATHUZE :SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual	2006 Actual	2006		2007 Actual	2007 Actual	2007
Income	Expenditure	Surplus/(Deficit)		Income	Expenditure	Surplus/(Deficit)
1,177,993	23,028,234	(21,850,241)	Executive & Council	1,046,313	26,419,908	(25,373,595)
197,117,757	177,321,794	19,795,963	Finance & Admin	215,925,377	128,170,112	87,755,265
3,748,636	24,388,828	(20,640,192)	Planning & Development	1,446,546	13,024,579	(11,578,033)
6,656,413	14,468,299	(7,811,886)	Health	5,360,528	21,176,392	(15,815,864)
3,416,717	32,099,571	(28,682,854)	Community & Social Services	3,315,396	29,559,215	(26,243,819)
3,660,615	9,093,015	(5,432,400)	Housing	10,793,290	4,201,015	6,592,275
4,929,504	37,612,888	(32,683,384)	Public Safety	8,564,476	38,202,263	(29,637,787)
2,869,328	49,392,541	(46,523,213)	Sport & Recreation	6,258,442	73,238,592	(66,980,150)
78,781,498	90,096,225	(11,314,727)	Waste Management	140,045,700	108,649,192	31,396,508
3,991,900	43,913,673	(39,921,773)	Road Transport	5,309,345	75,108,078	(69,798,733)
114,907,414	106,700,082	8,207,332	Water	178,537,503	135,623,798	42,913,705
315,268,097	322,969,970	(7,701,873)	Electricity	346,602,576	342,673,524	3,929,052
710,085	135,006	575,079	Other	830,908	134,035	696,873
737,235,957	931,220,126	(193,984,169)	Sub Total	924,036,400	996,180,703	(72,144,303)
	(212,120,305)	212,120,305	Less: Inter- Dep Charges		(231,535,020)	231,535,020
<b>737,235,957</b>	<b>719,099,821</b>	<b>18,136,136</b>	<b>Total</b>	<b>924,036,400</b>	<b>764,645,683</b>	<b>159,390,717</b>



**APPENDIX E(1)**

**CITY OF UMLATHUZE : ACTUAL VERSUS BUDGET(REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007**

	<b>2007</b>		<b>2007</b>		<b>2007</b>	
	<b>ACTUAL</b>	<b>2007 BUDGET</b>	<b>VARIANCE</b>	<b>VARIANCE (%)</b>	<b>Explanation of significant variance greater than 10% versus budget</b>	
<b>REVENUE</b>						
Property Rates	100,340,560	97,669,600	2,750,960	3		
Property Rates-Penalties Imposed And Collection Charges	1,833,983	1,700,000	133,983	8		
Service Charges	462,785,167	452,674,700	10,110,467	2		
Regional Services Levies-Turnover	-	-	-	-		
Rental Of Facilities And Equipment	9,695,415	9,760,600	(65,185)	(1)		
Interest Earned-External Investments	11,668,451	1,000,000	10,668,451	1,067	Due to excellent cashflow management, more funds were available for investment purposes.	
Interest Earned-Outstanding Debtors	340,373	280,200	60,173	21	Unexpected revenue.	
Dividend Received	-	-	-	-		
Fines	7,693,948	7,230,700	463,248	6		
Licences And Permits	1,652,660	679,100	973,560	143	Unexpected revenue from learner licences realised.	
Income For Agency Services	2,530,988	2,550,000	(19,012)	(1)		
Government Grants & Subsidies	195,634,001	64,964,300	130,649,701	201	Conditional Grants revenue vs expenditure.	
Other Income	84,158,619	68,640,900	15,517,719	23	Additional revenue for building plan fees and refuse container fees.	
Public Contributions , Donated/Contributed PPE	-	-	-	-		
Sale Of Land	36,289,666	53,000,000	(16,710,334)	(32)	Delays in the receipt of land sales revenue from Tata Steel & Keystone Investments.	
Gains On Disposal Of Property, Plant And Equipment	9,412,549	12,000,000	(2,587,451)	(22)	Profit realised on sale of Pioneerhof.	
<b>Total Revenue</b>	<b>924,036,400</b>	<b>772,110,100</b>	<b>151,926,300</b>	<b>20</b>		
<b>EXPENDITURE</b>						
Executive & Council	26,419,908	32,954,500	(6,534,592)	(20)	Delays in the process to commence municipal valuation roll. Process to be continued in 2007/2008 financial yr.	
Finance & Admin	128,170,112	163,341,000	(35,170,888)	(22)	Provisions made for post employment benefits.	
Planning & Development	13,024,579	15,380,800	(2,356,221)	(15)	Council decision to delay Crime Prevention project.	
Health	21,176,392	23,561,700	(2,385,308)	(10)	Provisions made for post employment benefits.	
Community & Social Services	29,559,215	33,240,100	(3,680,885)	(11)	Provisions made for post employment benefits.	
Housing	4,201,015	6,171,500	(1,970,485)	(32)	Savings on interest paid and depreciation due to delays in Esik Hosiels renovation project.	
Public Safety	38,202,263	42,832,100	(4,629,837)	(11)	Provisions made for post employment benefits.	
Sport & Recreation	73,238,592	79,018,900	(5,780,308)	(7)	Savings on salaries	
Environmental Protection	-	-	-	-		
Waste Management	108,649,192	111,128,796	(2,479,604)	(2)	Provisions made for post employment benefits.	
Road Transport	75,108,078	86,638,347	(11,530,269)	(13)	Savings on repairs & maintenance.	
Water	135,623,798	147,332,657	(11,708,859)	(8)		
Electricity	342,673,524	334,236,800	8,436,724	3		
Other	134,035	194,200	(60,165)	(31)		
Inter-Departmental Charges	(231,535,020)	(247,838,800)	16,303,780	(7)	Savings on consultancy fees.	
<b>Total Expenditure</b>	<b>764,645,663</b>	<b>828,192,600</b>	<b>(63,546,937)</b>	<b>(8)</b>		
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>159,390,737</b>	<b>(56,082,500)</b>	<b>215,473,237</b>	<b>27</b>		

**APPENDIX E(2)**

**CITY OF UMHLATHUZE : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007**

	2007ACTUAL	CONSTRUCTION	ADDITIONS	2007 BUDGET	2007 VARIANCE	VARIANCE	Explanation of significant variances greater than 5% versus budget (Explanations to Be Recorded)
	R	R	R	R	R	%	
Executive & Council	1,754		1,754	2,500	(746)	(30)	Savings realised on machinery & equipment.
Finance & Admin	25,011,602		25,011,602	38,756,900	(13,745,298)	(35)	Tender for plant & equipment resulted in increase expenditure than was originally budgeted for. Trailers to be purchased in 2007/2008 financial year, as insufficient funds available during 06/07.
							Savings on vehicle purchases amounted to R3,9m
							Savings on purchases of office furniture, CCTV camera.
							Disaster Recovery plan project was delayed therefore funds unspent.
Planting & Development	78,620		78,620	20,500	58,120	284	Additional office furniture purchased for new staff appointments.
Health	100,689		100,689	117,200	(16,511)	(14)	Savings on office furniture, machinery & equipment.
Community & Social Services	10,040,119	3,725,525	13,765,644	30,559,700	(16,794,056)	(55)	Relocation of laboratory was carried over to 2007/2008 financial year.
							Savings of R110 000 realised on R/Bay Extension/Development of Cemetery.
							Extension/Development of Cemetery will commence in the 2007/2008 fin year.
Housing	-	278,717	278,717	28,208,000	(28,927,283)	(99)	Savings realised on Informal Trading Facilities CBD R/Bay as project completed in 05/06
							Land could not be found adjacent to esikhaleni due to various reasons mainly the long term lease agreement in place with Sihubeka Consortium. Furthermore an agreement with Sikwili Farm could not be reached regarding the selling price.
							Tenders for the esikhaleni refurbish hostels could not be finalised due to the late imposition of the tripartite agreement requirements by the provincial government.
							Funds not received from provincial governments regarding social housing. Instead the project is dealt with directly between the Developer (Infraserve) and Province.
Public Safety	322,939		322,939	880,000	(367,061)	(53)	Project : RDC control Station not completed. Will be finalised in the 2007/2008 fin yr.
Sport & Recreation	6,678,743	2,794,542	9,473,285	8,970,000	503,285	6	Overpending on beach development.
Waste Management	42,708,280	18,655,583	61,363,863	42,754,279	18,609,584	44	Rural sanitation projects funded by MIG exceeded the budgetary amount.
							Waste water treatment works transferred from DWAF to Council. Council resolution 4006 dated 05/09/2006.
Road Transport	29,898,595	29,812,659	59,711,254	91,837,329	(32,226,075)	(35)	Umyenzane Road extension-delays and damages caused by excessive rains. Project ongoing in 2007/2008 financial year.
							Bus shelters & laybys all areas to be completed in 2007/2008.
							Industrial and commercial projects development projects to R2.1m did not materialise due to various development delays.

**APPENDIX E(2) (continued)**

**CITY OF UMHLATHUZE : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007**

	<u>2007</u> <u>ACTUAL</u>	<u>2007 UNDER</u> <u>CONSTRUCTION</u>	<u>2007 TOTAL</u> <u>ADDITIONS</u>	<u>2007 BUDGET</u>	<u>2007 VARIANCE</u>	<u>2007</u> <u>VARIANCE</u>	<u>Explanation Of Significant Variances Greater Than 5% Versus Budget</u>
	R	R	R	R	R	%	(Explanations To Be Recorded)
Water	61,443,461	45,788,473	107,231,934	74,936,792	32,295,142	43	Water treatment works transferred from Dwaif to Council. Council resolution 4006 dated 05/09/2006.
Electricity	31,366,789	35,981,657	67,350,426	130,099,800	(62,749,374)	(48)	Streetlighting for Umhlathuze Village-delay in taking over network from Eskom-carried over to 2007/2008 financial year. Industrial & commercial development projects amounting to R20,8m did not materialise due to various development delays. Development of Alkanstrand/Bayside area not realised. Hercules/Centaur relocation of 11kv ring feeder-delays by Keystone Development. Savings realised on Polaris renew inside. Umhlathuze Village MV ring cable-delay in taking over network from Eskom. Ngwelezane prepayment meters-delay in taking over network from Eskom.
Other	-	-	-	-	-	-	
<b>Total</b>	<b>207,653,571</b>	<b>137,037,156</b>	<b>344,690,727</b>	<b>448,061,000</b>	<b>(103,360,273)</b>	<b>(23)</b>	Various saving on projects and contingency amounts Delay as a result of development-project - carried over 2006/2007 project Township development projects/public contributions amounting to R20.7m did not materialise due to various development delays.

**APPENDIX F**  
**CITY OF UMHLATHUZE**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

**Grants and Subsidies Received**

Name of Grants	Name of organ of state	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2006	Dec 2006	Mar 2007	June 2007	Sept 2006	Dec 2006	Mar 2007	June 2007	Sept 2006	Dec 2006	Mar 2007	June 2007			
Museum Subsidy	KZN - Dept of Education & Culture		72,325			216,426	185,728	149,618	152,906					None	Yes	
Primary Health Subsidy	KZN - Dept of Health	1,146,830	1,143,510	1,021,500	1,021,500	2,187,510	2,366,832	2,441,646	2,154,590					None	Yes	
Environmental Health Subsidy	KZN - Dept of Health	72,500	72,500	-	-	722,366	1,055,414	-	-					None	Yes	
Naselet Hosieles Redevelopment & Upgrade	KZN - Dept of Housing	-	-	-	-	34,641	-	-	-					None	Yes	
Housing Development Plan	KZN - Dept of Housing	-	-	-	-	50,000	-	48,000	-					None	Yes	
Esikhwini Hostel Refurbishment	KZN - Dept of Housing	-	-	-	-	64,319	100,041	42,880	85,759					None	Yes	
Infrastructure Grants	KZN - Dept of Library Services					-	-	-	-					None	Yes	
Community Development Workers Programme	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	12,769	778	166	1,026					None	Yes	
IDP Review	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	-	-	-	-				50,000	Conditions not met	No	Conditions not met

**APPENDIX F**  
**CITY OF UMHLATHUZE**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)**

**Grants and Subsidies Received**

Name of Grants	Name of organ of state	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld				Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sep 2006	Dec 2006	Mar 2007	June 2007	Sep 2006	Dec 2006	Mar 2007	June 2007	Sep 2006	Dec 2006	Mar 2007	June 2007			
Interdepartmental Monitoring Grant	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	-	-	-	-	-	-	-	-	None	Yes	Conditions not met
Land Use Management	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	28,338	-	-	-	-	-	30,000	Conditions not met	No		
GIS Support	KZN - Dept of Local Gov & Trad Affairs					-6,821	-	-					None	Yes		
Facilitate Assessment of Service Delivery Mechanism	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	114,768								None	Yes	Conditions not met
Facilitate Water Service Delivery Plan	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	19,547		78,095	30,640					None	Yes	
Performance Management Grant	KZN - Dept of Local Gov & Trad Affairs	-	-	-	-	-	-	-	-			50,000	Conditions not met	No		
Remote Water Reading System	KZN - Dept of Local Gov & Trad Affairs					-	-	-	-					None	Yes	Conditions not met
Support Integration with Reeds	KZN - Dept of Local Gov & Trad Affairs	-	-	-	150,000	-	-	-	-					None	Yes	

**APPENDIX F**  
**CITY OF UMHLATHUZE**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)**

**Grants and Subsidies Received**

Name of Grants	Name of organ of state	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2006	Dec 2006	Mar 2007	June 2007	Sept 2006	Dec 2006	Mar 2007	June 2007	Sept 2006	Dec 2006	Mar 2007	June 2007			
Technical Support Grant	KZN - Dept of Local Gov & Trad Affairs	-	-	-	500,000	-	-	-	-					None	Yes	
Water Services Delivery Plan	KZN - Dept of Local Gov & Trad Affairs	-	-	-	50,000	-	-	-	-					None	Yes	
Department of Transport Subsidy	KZN - Dept of Transport	-	-	-	-	-	-	-	-					None	Yes	
Drought Relief	Nat - Dept of Prov & Local Gov Affairs	-	-	-	-	-	-	-	-					None	Yes	
Water Services Programme	Nat - Dept of Water Affairs	-	-	-	-	22,331	-	-	-					None	Yes	
Cleanest Town Award	Nat - Dept of Water Affairs	-	-	-	-	-	69,334	-	126					None	Yes	
Refurbishment of Pumpstation Grant	Nat - Dept of Water Affairs	-	-	-	-	-	32,808	747,675	891,707					None	Yes	
Institutional Support	Nat - Dept of Water Affairs	-	-	-	1,200,000	-	-	-	-							
Municipal Infrastructure Grant	National Treasury	10,012,415	7,116,093	6,306,306	5,825,015	10,101,957	5,179,880	10,247,484	4,310,591					None	Yes	
Financial Management Grant	National Treasury	500,000	-	-	-	110,464	103,388	123,688	97,295					None	Yes	

**APPENDIX F**  
**CITY OF UMHLATHUZE**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)**

**Grants and Subsidies Received**

Name of Grants	Name of organ of state	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/withheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
		Sept 2006	Dec 2006	Mar 2007	June 2007	Sept 2006	Dec 2006	Mar 2007	June 2007	Sept 2006	Dec 2006	Mar 2007	June 2007			
Restructuring Grant	National Treasury	-	-	-	-	208,740	172,794	313,488	1,119,529					None	Yes	
Electrification	Nat - Dept of Minerals & Energy	-	-	-	235,000	-	-	-	-					None	Yes	
Transfer of previous R293 Towns Sewer & Water Pumpstations	Nat - Dept of Water Affairs	-	-	-	95,909,000	-	-	-	-					None	Yes	
Environmental Health Services	uThungulu District Municipality	-	-	-	879,612	722,366	1,055,414	1,063,160	667,197					None	Yes	
Museum Subsidy	uThungulu District Municipality	-	-	-	-	-	-	-	-					None	Yes	
Capacity Building	uThungulu District Municipality	-	-	-	-	-	-	-	-					None	Yes	
Upgrade Nselezi Bulk Water Supply	uThungulu District Municipality	-	-	-	-	-	-	-	140,111					None	Yes	
Munzini Bulk Water supply	uThungulu District Municipality	407,017	-	-	650,576	407,017	12,387	638,189	-					None	Yes	
IDT Area (Water & Medlebe Road)	uThungulu District Municipality	-	-	-	-	-	-	-	-					None	Yes	